SCS Agency
Franchise Tax Board

ANALYSIS OF ORIGINAL BILL

Author: Craven | Analyst: Kristina North | Bill Number: SB 1389

Related Bills: See Legislative History | Telephone: 845-6978 | Introduced Date: 01/08/98

Attorney: Doug Bramhall | Sponsor:

SUBJECT: California Public School Library Protection Fund/Extends Repeal Date

SUMMARY

Under the Administration of Franchise and Income Tax Law (AFITL), this bill would extend the operation of the California Public School Library Protection Fund to January 1, 2004.

This analysis does not address the bill's provision that would create a Public School Library Consultant to administer grants from the Fund because it does not impact the Franchise Tax Board.

EFFECTIVE DATE

This bill would be effective for taxable years beginning January 1, 1999.

LEGISLATIVE HISTORY

SB 170 (Ch. 1228, Stats. 1993)

BACKGROUND

Eleven voluntary contribution funds appeared on the 1997 state tax return. Total contributions to the funds have declined from approximately $3.4 million in 1989/90 to approximately $2.4 million in 1996/97. The number of individuals contributing (first tabulated in 1993) remains fairly constant at 140,000 to 150,000, or slightly more than 1% of all taxpayers.

The California Public School Library Protection Fund was first enacted in 1993 and was available for contributions on the 1993 tax return filed in 1994. It will sunset on January 1, 1999, and will last appear on returns for the 1998 taxable year filed in 1999. This fund received approximately $321,600 from contributions on 1996 tax returns.

DEPARTMENTS THAT MAY BE AFFECTED:

____ STATE MANDATE ____ GOVERNOR'S APPOINTMENT

Department Director Position:	Agency Secretary Position:	**GOVERNOR'S OFFICE USE**
____ S ____ O ____ SA ____ OUA ____ N ____ NP ____ NA ____ NAR __X__ PENDING	____ S ____ O ____ SA ____ OUA ____ N ____ NP ____ NA ____ NAR DEFER TO ______	Position Approved ____ Position Disapproved ____ Position Noted ____
Department Director Gerald H. Goldberg 2/10/98	Agency Secretary Date	By: Date:

SPECIFIC FINDINGS

Current federal law provides a true checkoff to direct $3 of a taxpayer's tax liability to the presidential election fund. Designation of the $3 amount does not affect a taxpayer's tax liability or refund amount.

Current state law allows taxpayers to make contributions of their own funds (not tax liability) on their tax returns to the eleven voluntary contribution funds listed on the state tax return. Each fund provides for the reimbursement of the Franchise Tax Board and Controller's costs to administer the fund.

Except for the California Seniors Special Fund, which has no sunset date, the voluntary contribution funds have various sunset dates. Attachment I shows the specific sunset dates for each voluntary contribution fund and indicates those funds which must meet a minimum contribution test (indexed $250,000) to remain on the return. Attachment II is a chart indicating the number of contributors and their contributions for multiple fiscal years.

This bill would extend the operation of the California Public School Library Protection Fund from January 1, 1999, to January 1, 2004. Thus, this fund would last appear on income tax returns for 2003 instead of 1998. This fund must meet the $250,000 minimum contribution test (as indexed) to remain on the tax return.

Policy Consideration

The placement of voluntary contributions on the tax return limits the amount of space available for tax-related items. The inclusion of non-tax related information may ultimately impair tax collection and reduce administrative efficiency.

Implementation Considerations

The implementation of this bill would not significantly impact this department.

FISCAL IMPACT

Departmental Costs

This bill would not significantly impact the department's costs.

Tax Revenue Estimate

Tax revenue losses from this bill extended after January 1, 1999, are estimated to be minor, less than $30,000 per year beginning in fiscal year 2000/01.

Tax Revenue Discussion

Based on departmental data, more than 50,000 taxpayers made contributions to the California Public School Library Fund in each of the last several years and the contributed amount was between $300,000 and $370,000 per year. Applying an 8% average marginal tax rate to the average amount of $330,000 results in a revenue loss less than $30,000 per year beginning in the fiscal year 2000/01. The revenue loss assumes all contributing taxpayers will itemize deductions.

BOARD POSITION

Pending.